

**CITY OF FRANKLIN**  
**Balance Sheet**  
**Governmental Funds**  
**December 31, 2005**

	<u>General</u>	<u>Debt Service</u>	<u>TIF Districts</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>					
Cash and investments	\$ 6,779,141	\$ 2,144,492	\$ 7,280,175	\$ 13,614,660	\$ 29,818,468
Receivables					
Accounts receivable	608,733	57,062	17,178	36,664	719,637
Taxes receivable	12,903,041	2,594,039	2,860,368	2,543,986	20,901,434
Special assessments receivable	-	1,708,141	-	851,529	2,559,670
Due from other funds	254,107	-	-	-	254,107
Due from other governments	171,840	-	250	24,371	196,461
Prepaid items	17,954	-	-	10,032	27,986
Inventories	20,437	-	-	-	20,437
Long term advances	-	6,717,987	-	-	6,717,987
<b>TOTAL ASSETS</b>	<b>\$ 20,755,253</b>	<b>\$ 13,221,721</b>	<b>\$ 10,157,971</b>	<b>\$ 17,081,242</b>	<b>\$ 61,216,187</b>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>LIABILITIES</b>					
Accounts payable	\$ 578,675	\$ -	\$ 1,858,725	\$ 1,996,389	\$ 4,433,789
Accrued liabilities	634,195	-	15,000	16,680	665,875
Due to other governments	54,050	-	-	-	54,050
Special deposits	124,672	200,000	-	-	324,672
Deferred revenue	12,894,601	4,302,180	2,860,368	3,395,515	23,452,664
Long term advances	-	-	6,717,987	-	6,717,987
<b>Total Liabilities</b>	<b>14,286,193</b>	<b>4,502,180</b>	<b>11,452,080</b>	<b>5,408,584</b>	<b>35,649,037</b>
<b>FUND BALANCES</b>					
Reserved for:					
Inventories and prepaid items	38,391	-	-	10,032	48,423
Advances to other funds	-	6,717,987	-	-	6,717,987
Encumbrances	19,000	-	-	201,000	220,000
Subsequent years expenditures	-	-	-	623,142	623,142
Subsequent years debt service	-	2,001,554	-	-	2,001,554
Emergency medical services	-	-	-	16,624	16,624
Utility improvements	-	-	-	1,129,596	1,129,596
Development	-	-	-	2,853,329	2,853,329
Donations & grants	-	-	-	167,834	167,834
Unreserved balance (deficit) reported in:					
General Fund	6,411,669	-	-	-	6,411,669
Special Revenue Funds	-	-	-	218,770	218,770
Capital Project Funds	-	-	(1,294,109)	6,452,331	5,158,222
<b>Total fund balances</b>	<b>6,469,060</b>	<b>8,719,541</b>	<b>(1,294,109)</b>	<b>11,672,658</b>	<b>25,567,150</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 20,755,253</b>	<b>\$ 13,221,721</b>	<b>\$ 10,157,971</b>	<b>\$ 17,081,242</b>	<b>\$ 61,216,187</b>
Total fund balances of governmental funds					\$ 25,567,150
Amounts reported for governmental activities in the statement of net assets are different because:					
Capital assets used in government funds are not financial resources and are not reported in the funds					40,697,119
Internal service net assets					(78,339)
Other long-term assets that are not available to pay for current period expenditures and are deferred in the funds					3,002,695
Long-term liabilities, including long-term debt, are not due and payable in the current period and are not reported in the funds					(52,844,642)
<b>Net assets of governmental activities</b>					<b>\$ 16,343,983</b>

See accompanying notes to the financial statements.

**CITY OF FRANKLIN**  
**Statement of Revenue, Expenditures and Changes in Fund Balances**  
**Governmental Funds**  
**Year Ended December 31, 2005**

	General	Debt Service	TIF Districts	Nonmajor Governmental Funds	Total Governmental Funds
<b>REVENUE</b>					
Taxes	\$ 12,668,469	\$ 2,310,000	\$ 2,919,438	\$ 2,289,000	\$ 20,186,907
Intergovernmental revenue	2,581,477	-	88,555	247,481	2,917,513
Licenses and permits	1,486,966	-	-	-	1,486,966
Fines, forfeitures and penalties	361,656	-	-	-	361,656
Public charges for services	1,398,810	689,060	-	-	2,087,870
Special assessments	-	641,445	-	2,979,369	3,620,814
Intergovernmental charges for services	591,834	-	-	-	591,834
Investment earnings	425,444	226,399	138,992	336,328	1,127,163
Miscellaneous revenue	149,013	-	178,663	478,429	806,105
Total Revenue	<u>19,663,669</u>	<u>3,866,904</u>	<u>3,325,648</u>	<u>6,330,607</u>	<u>33,186,828</u>
<b>EXPENDITURES</b>					
Current					
General government	2,314,862	-	-	-	2,314,862
Public safety	12,668,899	-	-	8,869	12,677,768
Public works	3,746,773	-	-	-	3,746,773
Health and human services	455,963	-	-	43,533	499,496
Culture, recreation and education	152,797	-	-	1,117,643	1,270,440
Conservation and development	491,582	-	89,308	74,038	654,928
Capital outlay	-	-	1,309,496	2,425,912	3,735,408
Debt service					
Principal	-	1,900,000	2,315,000	-	4,215,000
Interest	-	1,123,504	999,836	-	2,123,340
Debt issuance costs	-	-	32,375	13,875	46,250
Total Expenditures	<u>19,830,876</u>	<u>3,023,504</u>	<u>4,746,015</u>	<u>3,683,870</u>	<u>31,284,265</u>
Excess (Deficiency) of Revenue Over (Under) Expenditures	(167,207)	843,400	(1,420,367)	2,646,737	1,902,563
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in	777,829	545,014	-	2,163,624	3,486,467
Transfers out	(424,400)	-	(113,589)	(3,882,759)	(4,420,748)
General obligation debt issued	-	7,000,000	-	3,000,000	10,000,000
Premium on debt issued	-	204,561	-	-	204,561
Net change in fund balances	186,222	8,592,975	(1,533,956)	3,927,602	11,172,843
Fund balances - beginning (restated)	<u>6,282,838</u>	<u>126,566</u>	<u>239,847</u>	<u>7,745,056</u>	<u>14,394,307</u>
<b>Fund balances - ending</b>	<u>\$ 6,469,060</u>	<u>\$ 8,719,541</u>	<u>\$ (1,294,109)</u>	<u>\$ 11,672,658</u>	<u>\$ 25,567,150</u>

See accompanying notes to the financial statements

**CITY OF FRANKLIN**  
**Reconciliation of the Statement of Revenue**  
**Expenditures and Changes in Fund Balances of Governmental Funds**  
**To the Statement of Activities**  
**Year Ended December 31, 2005**

Net change in fund balances - total governmental funds	\$ 11,172,843
Amounts reported for governmental activities in the statement of activities (page 25) are different because:	
Governmental funds report capital outlays as expenditures. However in the statement of activities, the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays (\$3,033,631) exceeded depreciation (\$1,421,435) in the current period.	1,612,196
Contributed capital assets are reported as revenues in the statement of activities.	3,884,257
The issuance of long-term debt ( e.g. notes, leases) provides current financial resources to governmental funds, while the repayment of the principal on long-term debt consumes current financial resources of government funds. Neither transaction, however, has any effect on net assets. This amount is the net effect of differences in the treatment of long term debt.	(5,785,000)
Government funds report the effects of issuance costs, premiums, discounts and similar items when the debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of the differences in the treatment of these items.	(150,396)
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore, are not reported as expenditures in the government funds	(299,226)
Revenue in the statement of activities not providing current financial resources are not reported as revenue in the funds	54,083
Revenue in the governmental funds that provides current financial resources but has been previously reported as revenue in the statement of activities	(1,094,105)
Internal service fund change in net assets	<u>(26,049)</u>
<b>Net change in net assets of governmental activities</b>	<u><b>\$ 9,368,603</b></u>

See accompanying notes to the financial statements.

**CITY OF FRANKLIN**  
**General Fund**  
**Statement of Revenue, Expenditures and Changes in Fund Balances -**  
**Budget and Actual (on a Budgetary basis)**  
**Year Ended December 31, 2005**

	Original Budget	Final Budget	Actual	Variance with final budget - Favorable (Unfavorable)
<b>REVENUE</b>				
Taxes	\$ 13,403,300	\$ 13,403,300	\$ 13,446,298	\$ 42,998
Intergovernmental revenue	2,582,700	2,582,700	2,581,477	(1,223)
Licenses and permits	1,053,500	1,053,500	1,486,966	433,466
Fines, forfeitures and penalties	450,000	450,000	361,656	(88,344)
Public charges for services	1,329,800	1,329,800	1,398,810	69,010
Intergovernmental charges for services	548,000	548,000	591,834	43,834
Investment earnings	315,500	315,500	425,444	109,944
Miscellaneous revenue	136,200	136,200	149,013	12,813
Total Revenue	<u>19,819,000</u>	<u>19,819,000</u>	<u>20,441,498</u>	<u>622,498</u>
<b>EXPENDITURES</b>				
Current				
General government	2,637,312	2,574,162	2,311,862	262,300
Public safety	12,809,809	12,822,159	12,678,899	143,260
Public works	3,860,868	3,891,843	3,750,973	140,870
Health and human services	537,665	544,640	455,963	88,677
Culture and recreation	153,359	156,209	156,097	112
Conservation and development	559,987	569,987	393,082	176,905
Total Expenditures	<u>20,559,000</u>	<u>20,559,000</u>	<u>19,746,876</u>	<u>812,124</u>
Excess (Deficiency) of Revenue Over (Under) Expenditures	(740,000)	(740,000)	694,622	1,434,622
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	-	-	-	-
Transfers out	-	(200,000)	(424,400)	(224,400)
Net change in fund balance - budgetary basis	(740,000)	(940,000)	270,222	1,210,222
Adjustments to generally accepted accounting principles basis				
2005 encumbrances	19,000	19,000	19,000	-
2004 encumbrances	(103,000)	(103,000)	(103,000)	-
Net change in fund balance - generally accepted accounting principles basis	(824,000)	(1,024,000)	186,222	1,210,222
Fund Balances - beginning	<u>6,282,838</u>	<u>6,282,838</u>	<u>6,282,838</u>	<u>-</u>
<b>Fund Balances - ending</b>	<u>\$ 5,458,838</u>	<u>\$ 5,258,838</u>	<u>\$ 6,469,060</u>	<u>\$ 1,210,222</u>

See accompanying notes to the financial statements.

**CITY OF FRANKLIN**  
**Statement of Net Assets**  
**Proprietary Funds**  
**December 31, 2005**  
 (with comparative information for the year ended December 31, 2004)

	Business-type Activities - Enterprise Funds						Governmental Activities - Internal Service Funds
	Water Utility Current Year	Water Utility Prior Year	Sanitary Sewer Current Year	Sanitary Sewer Prior Year	Current Year Totals		
<b>ASSETS</b>							
Current assets							
Cash and investments	\$ 1,236,234	\$ 746,633	\$ 882,746	\$ 845,286	\$ 2,118,980	\$ 272,457	
Receivables							
Accounts receivable	804,164	892,644	449,934	449,069	1,254,098	55,055	
Taxes receivable	118,043	95,448	59,082	54,903	177,125	-	
Due from other funds	145,355	113,905	-	53,977	145,355	-	
Total current assets	2,303,796	1,848,630	1,391,762	1,403,235	3,695,558	327,512	
Noncurrent assets							
Restricted cash and investments	-	-	178,274	132,035	178,274	-	
Total restricted assets	-	-	178,274	132,035	178,274	-	
Capital assets							
Land	115,465	115,465	310,919	310,919	426,384	-	
Buildings and improvements	724,880	724,880	1,617,259	1,621,073	2,342,139	-	
Improvements other than buildings	46,503,747	43,335,501	49,563,684	47,805,220	96,067,431	-	
Machinery and equipment	1,369,043	1,360,057	518,862	513,776	1,887,905	-	
Construction in progress	453	-	-	-	453	-	
Less accumulated depreciation	(7,568,309)	(6,856,617)	(8,057,066)	(7,528,144)	(15,625,375)	-	
Total capital assets ( net of accumulated depreciation)	41,145,279	38,679,286	43,953,658	42,722,844	85,098,937	-	
Total noncurrent assets	41,145,279	38,679,286	44,131,932	42,854,879	85,277,211	-	
<b>Total assets</b>	<b>\$ 43,449,075</b>	<b>\$ 40,527,916</b>	<b>\$ 45,523,694</b>	<b>\$ 44,258,114</b>	<b>\$ 88,972,769</b>	<b>\$ 327,512</b>	

Continued

**CITY OF FRANKLIN**  
Statement of Net Assets  
Proprietary Funds  
December 31, 2005

(with comparative information for the year ended December 31, 2004)

	Business-type Activities - Enterprise Funds						Governmental Activities - Internal Service Funds
	Water Utility		Sanitary Sewer		Sanitary Sewer		
	Current Year	Prior Year	Current Year	Prior Year	Prior Year	Current Year Totals	
<b>LIABILITIES</b>							
Current liabilities							
Accounts payable	\$ 413,063	\$ 483,034	\$ 281,274	\$ 317,850	\$ 694,337	\$ 38,723	
Accrued liabilities	425	391	21,241	23,400	21,666	366,000	
Due to other governments	102,368	102,368	-	-	102,368	-	
Due to other funds	252,829	173,089	146,633	50,853	399,462	-	
Special deposits	1,000	500	-	-	1,000	1,128	
Current portion of compensated absences	18,745	17,238	18,744	17,238	37,489	-	
Total current liabilities	<u>788,430</u>	<u>776,620</u>	<u>467,892</u>	<u>409,341</u>	<u>1,256,322</u>	<u>405,851</u>	
Noncurrent liabilities							
Accrued compensated absences	29,403	22,553	29,404	22,553	58,807	-	
Total noncurrent liabilities	<u>29,403</u>	<u>22,553</u>	<u>29,404</u>	<u>22,553</u>	<u>58,807</u>	<u>-</u>	
Total liabilities	<u>817,833</u>	<u>799,173</u>	<u>497,296</u>	<u>431,894</u>	<u>1,315,129</u>	<u>405,851</u>	
<b>NET ASSETS</b>							
Invested in capital assets	41,145,279	38,679,286	43,953,658	42,722,844	85,098,937	-	
Restricted for							
Sewer equipment replacement	-	-	178,274	132,035	178,274	-	
Unrestricted (deficit)	1,485,963	1,049,457	894,466	971,341	2,380,429	(78,339)	
Total net assets	<u>\$ 42,631,242</u>	<u>\$ 39,728,743</u>	<u>\$ 45,026,398</u>	<u>\$ 43,826,220</u>	<u>\$ 87,657,640</u>	<u>\$ (78,339)</u>	

See accompanying notes to the financial statements.

**CITY OF FRANKLIN**  
**Statement of Revenue, Expenses and Changes in Fund Net Assets**  
**Proprietary Funds**  
**Year Ended December 31, 2005**  
**(with comparative information for the year ended December 31, 2004)**

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds
	Water Utility Current Year	Water Utility Prior Year	Sanitary Sewer Current Year	Sanitary Sewer Prior Year	
<b>OPERATING REVENUE</b>					
Metered sales	\$ 1,974,050	\$ 1,251,511	\$ 1,039,091	\$ 909,607	\$ 3,013,141
Residential	794,103	619,272	401,135	351,574	1,195,238
Commercial	214,133	195,966	105,783	96,502	319,916
Public authority	215,665	195,477	171,299	143,149	386,964
Industrial	3,197,951	2,262,226	1,717,308	1,500,832	4,915,259
Total metered sales					2,802,968
Group health & dental charges	516,484	451,488	-	-	516,484
Public fire protection service	77,054	65,975	-	-	77,054
Private fire protection service	23,706	31,041	15,429	14,252	39,135
Forfeited discounts, penalties and other	3,815,195	2,810,730	1,732,737	1,515,084	5,547,932
Total operating revenue					2,802,968
<b>OPERATING EXPENSES</b>					
Cost of sales and services	2,227,658	1,589,789	1,556,855	1,439,584	3,784,513
Depreciation	705,561	578,708	599,156	541,105	1,304,717
Administration	373,838	403,823	193,408	163,227	567,246
Total operating expenses	3,307,057	2,572,320	2,349,419	2,143,916	5,656,476
Operating income (loss)	508,138	238,410	(616,682)	(628,832)	(108,544)
<b>NON-OPERATING REVENUE (EXPENSES)</b>					
Investment earnings	26,079	8,892	18,017	9,563	44,096
Sundry	49,324	60,203	2,186	5,355	51,510
Total non-operating revenue (expenses) and transfers	75,403	69,095	20,203	14,918	95,606
Income (loss) before capital contributions	583,541	307,505	(596,479)	(613,914)	(12,938)
and transfers					(26,049)
Capital contributions	1,519,889	9,514,855	1,661,445	3,916,276	3,181,334
Transfers in	1,571,405	131,665	140,705	2,136,442	1,712,110
Transfers out	(772,336)	(629,811)	(5,493)	(4,651)	(777,829)
Change in net assets	2,902,499	9,324,214	1,200,178	5,434,153	4,102,677
Net assets - beginning	39,728,743	30,404,529	43,826,220	38,392,067	83,554,963
Net assets - ending	\$ 42,631,242	\$ 39,728,743	\$ 45,026,398	\$ 43,826,220	\$ 87,657,640

See accompanying notes to the financial statements.

**CITY OF FRANKLIN**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**Year Ended December 31, 2005**  
**(with comparative information for the year ended December 31, 2004)**

	Business-type Activities - Enterprise Funds						Governmental Activities - Internal Service Funds
	Water Utility Current Year	Water Utility Prior Year	Sanitary Sewer Current Year	Sanitary Sewer Prior Year	Current Year Totals		
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>							
Receipts from customers and users	\$ 3,713,116	\$ 2,366,816	\$ 1,728,000	\$ 1,485,761	\$ 5,441,116	\$ 2,881,418	
Receipts for interfund services provided	227,675	217,856	1,879	-	229,554	-	
Payments to suppliers	(2,145,318)	(1,181,532)	(1,149,637)	(1,116,238)	(3,294,955)	(2,828,391)	
Payments to employees	(386,818)	(362,251)	(409,484)	(347,615)	(796,302)	-	
Payments for interfund services used	(82,150)	(79,300)	(82,150)	(79,300)	(164,300)	-	
Net cash flows provided by (used in) operating activities	1,326,505	961,589	88,608	(57,392)	1,415,113	53,027	
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>							
Transfer out - paid for tax equivalent	(775,989)	(633,039)	(1,840)	(1,423)	(777,829)	-	
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>							
Acquisition of capital assets	(86,994)	(351,818)	(21,086)	(46,497)	(108,080)	-	
Net cash flows used in capital and related financing activities	(86,994)	(351,818)	(21,086)	(46,497)	(108,080)	-	
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>							
Investment earnings	26,079	8,892	18,017	9,564	44,096	10,258	
Net increase (decrease) in cash and cash equivalents	489,601	(14,376)	83,699	(95,748)	573,300	63,285	
Cash and cash equivalents - Beginning	746,633	761,009	977,321	1,073,069	1,723,954	209,172	
<b>Cash and cash equivalents - Ending</b>	<b>\$ 1,236,234</b>	<b>\$ 746,633</b>	<b>\$ 1,061,020</b>	<b>\$ 977,321</b>	<b>\$ 2,297,254</b>	<b>\$ 272,457</b>	
Cash and Investments - Unrestricted	\$ 1,236,234	\$ 746,633	\$ 882,746	\$ 845,286	\$ 2,118,980	\$ 272,457	
Cash and Investments - Restricted	-	-	178,274	132,035	178,274	-	
	<b>\$ 1,236,234</b>	<b>\$ 746,633</b>	<b>\$ 1,061,020</b>	<b>\$ 977,321</b>	<b>\$ 2,297,254</b>	<b>\$ 272,457</b>	

See accompanying notes to the financial statements.

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**CITY OF FRANKLIN**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**Year Ended December 31, 2005**  
**(with comparative information for the year ended December 31, 2004)**

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds
	Water Utility	Water Utility	Sanitary Sewer	Sanitary Sewer	
	Current Year	Prior Year	Current Year	Prior Year	Current Year Totals
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities</b>					
Operating income (loss)	\$ 508,138	\$ 238,410	\$ (616,682)	\$ (628,832)	\$ (108,544)
Adjustments to reconcile operating income (loss) to net cash flows provided by (used in) operating activities					
Depreciation	705,561	578,708	599,156	541,105	1,304,717
Depreciation allocated to other funds	6,734	6,161	(6,734)	(6,161)	-
Other nonoperating income	52,977	63,431	(1,467)	2,127	51,510
(Increase) decrease in assets					
Accounts receivable	88,480	(269,097)	(866)	(14,141)	87,614
Taxes receivable	(22,595)	(26,553)	(4,179)	(20,537)	(26,774)
Due from other funds	(45,704)	49,960	53,977	(2,076)	8,273
Increase (decrease) in liabilities					
Accounts payable	(69,971)	131,333	(36,576)	58,439	(106,547)
Accrued liabilities	252,863	(10,846)	(2,158)	(1,224)	250,705
Due to other governments	(158,835)	102,368	-	-	(63,055)
Due to other funds	500	93,751	95,780	10,244	500
Customer deposits	8,357	300	-	-	16,714
Compensated absences		3,663	8,357	3,664	
Total Adjustments	818,367	723,179	705,290	571,440	1,523,657
<b>Net cash flows provided by (used in) operating activities</b>	\$ 1,326,505	\$ 961,589	\$ 88,608	\$ (57,392)	\$ 1,415,113
<b>Noncash Capital Activities</b>					
Cost of Utility plant installed and/or financed by external parties	\$ 1,519,889	\$ 9,514,855	\$ 1,704,925	\$ 3,916,276	\$ 3,224,814

**CITY OF FRANKLIN**  
**Statement of Fiduciary Net Assets**  
**Fiduciary Funds**  
**December 31, 2005**

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<b>ASSETS</b>	<u>Agency Funds</u>
Cash and investments	\$ 41,638,653
Taxes receivable	<u>10,287,184</u>
<b>Total assets</b>	<u>51,925,837</u>
<b>LIABILITIES</b>	
Accounts payable	250,295
Due to other governments	51,664,607
Special deposits	<u>10,935</u>
<b>Total liabilities</b>	<u>51,925,837</u>
<b>Total net assets</b>	<u>\$ -</u>

See accompanying notes to the financial statements.